

SERVICE AGREEMENT

This Copy to be returned for
Files of S. C. Electric & Gas Company

This Agreement made and entered into this 3rd day of March, 1997, by and between SOUTH CAROLINA ELECTRIC AND GAS COMPANY, its successors and assigns, hereinafter called "Seller" and CRAFTS-FARROW STATE HOSPITAL, its successors and assigns, hereinafter called "Buyer".

WITNESSETH

WHEREAS, Seller owns and operates a natural gas system in the State of South Carolina which supplies natural gas for certain industrial operations under specific contracts with industrial customers, and

WHEREAS, Seller supplies Interruptible natural gas to Buyer at Buyer's present location under the terms of a Service Agreement between Buyer and Seller dated December 29, 1989, which is hereby being terminated at 8:00 A.M. Eastern Time on January 1, 1997, and

WHEREAS, Buyer has agreed to purchase natural gas from Seller according to the terms and conditions of this Service Agreement when natural gas is tendered by Seller whenever and to the extent Buyer has a requirement for fuel in Priority-of-Service Category 3C as set forth in Article III, Paragraph 1, of the General Terms and Conditions to Industrial Service Agreements hereto attached, for Buyer's facility located at 7901 Farrow Road, Columbia, South Carolina.

NOW THEREFORE, in consideration of the covenants and agreements hereinafter set forth, to be kept and performed by the parties hereto, it is mutually agreed as follows:

1. SCOPE OF DELIVERY

INTERRUPTIBLE GAS, PRIORITY-OF-SERVICE CATEGORY 3C

Buyer agrees to purchase from Seller, and Seller agrees to sell to Buyer, up to a Maximum Daily Quantity of 40 dekatherms of natural gas per day on an interruptible basis, to be purchased and utilized by Buyer when and to the extent Seller has gas available, tenders such gas to Buyer and Buyer has a requirement for fuel. Seller makes no guarantee of deliveries hereunder. Interruptible gas will be offered when, and to the extent, available in accordance with the operating procedures set forth in Article IV, Paragraph 4, of the General Terms and Conditions to Industrial Service Agreements hereto attached. Any gas taken by Buyer, including gas utilized as fuel for pilots, after any order of Seller calling for complete curtailment of Buyer's interruptible load, or any gas taken by Buyer in excess of a partial curtailment order, shall be Unauthorized Overrun Gas and shall subject Buyer to the penalty rate per dekatherm set forth in Article IV, Paragraph 6, of the General Terms and Conditions to Industrial Service Agreements hereto attached. Deliveries of Interruptible Gas under this paragraph of the Service Agreement shall be utilized by Buyer only in Priority-of-

Service Category 3C as set forth in Article III, Paragraph 1, of the General Terms and Conditions hereto attached.

2. HOURLY DELIVERIES

Seller shall not be obligated to make hourly deliveries of gas pursuant to Paragraph 1 above at an hourly rate exceeding 4 dekatherms per hour. Seller reserves the right to regulate the flow of gas delivered hereunder by means of automatic or manually operated flow control valves so as to limit the hourly flow of gas within the specified quantity.

3. POINT OF DELIVERY

The Point of Delivery for all gas delivered hereunder shall be at the outlet side of Seller's measuring and regulating equipment. The measuring equipment shall be installed on the Buyer's property at a location mutually agreed upon by Seller and Buyer. All gas shall be delivered at this location and it shall be the Buyer's responsibility to extend all fuel lines from this location to the point or points of usage.

4. DELIVERY PRESSURE

Seller agrees to use due care and diligence to furnish gas hereunder at such uniform pressure as Seller may elect up to, but not exceeding 15 pounds per square inch gauge, and not less than 5 pounds per square inch gauge, at the "Point of Delivery". Buyer shall be responsible for the installation and operation of adequate safety equipment downstream of the Point of Delivery so as to relieve or control pressure variations within the limits described above that may, for any reason through malfunction of Seller's equipment or otherwise, occur on Buyer's side of the "Delivery Point".

5. INITIAL SERVICE

Buyer agrees to begin purchasing natural gas under the terms and conditions of this Service Agreement at 8:00 A.M. Eastern Time on January 1, 1997, at which time the Service Agreement between Buyer and Seller dated December 29, 1989, shall terminate.

6. TERM OF AGREEMENT

This Agreement shall become effective on January 1, 1997, and shall continue in full force and effect through December 31, 1997, and from month to month thereafter unless either party shall give written notice of intention to terminate at least thirty (30) days prior to the expiration of the original term or any one month extension thereof.

7. RATE

Buyer agrees to pay Seller each month for all gas delivered by Seller during the month at the Base Rate or the Competitive Fuel Rate, whichever shall be applicable.

Gas volumes will be corrected for BTU content, pressure, temperature, supercompressibility, specific gravity, and other factors where applicable.

(A) BASE RATE INTERRUPTIBLE GAS, PRIORITY-OF-SERVICE CATEGORY 3C

Each month, the Base Rate for daily volumes of Interruptible Gas delivered by Seller to Buyer in Priority-of-Service Category 3C shall be eighty-eight cents (\$0.88) per dekatherm plus Seller's "Cost of Gas".

Seller's "Cost of Gas" shall be determined according to the method shown in Exhibit A attached hereto, as may be amended or superseded by the Public Service Commission of South Carolina, and is incorporated in and made a part of this Service Agreement.

In addition to the Base Rate, the amount of any new or additional taxes imposed directly on the purchase or sale of gas delivered hereunder shall be added.

(B) COMPETITIVE FUEL RATE

It is the intent of the Agreement that Buyer's cost of natural gas used in Priority-of-Service Category 3C shall be competitive with the as-fired cost of alternate fuel that the Buyer could actually utilize in lieu of natural gas.

For the purpose of the computation to obtain the as-fired cost of the alternate fuel, it is understood and agreed that:

- (1) The Alternate Fuel is No. 2 Fuel Oil.
- (2) The cost of the alternate fuel (identified as "K") shall include:
 - (a) The net average price for No. 2 fuel oil in effect on the third Monday of the current month, F.O.B., Charleston, South Carolina, plus,
 - (b) Four and three-tenths cents (4.3¢) per gallon for freight to the Buyer's facility, plus
 - (c) One cent (1.0¢) per gallon for handling charges.

- (3) Number 2 fuel oil shall be considered as having 135,800 BTU's per gallon or 0.1358 dekatherms per gallon, which is identified as "dt".
- (4) The following formula utilizes the above values and shall be used to calculate the as-fired cost of the alternate fuel (identified as "C"):

$$C = \frac{K}{dt}$$

Seller will monitor the changes in the price of No. 2 fuel oil by reference to the OIL BUYERS' GUIDE. Based on the posted price of No. 2 fuel oil, Seller will calculate the as-fired cost using the procedure outlined above. Seller will advise the Buyer verbally or in writing, prior to the beginning of each billing period that Seller will:

- (1) Lower the price of natural gas to the as-fired cost of the alternate fuel and deliver gas, or
- (2) Notify the Buyer of the price at which Seller will deliver gas in the event Seller elects not to lower the price to the as-fired cost of the alternate fuel.

In the event Seller elects to lower the price of gas to the as-fired cost of the alternate fuel, Buyer may not discontinue the purchase of natural gas hereunder. In the event Seller offers to deliver gas to Buyer at a price greater than the as-fired cost of the alternate fuel, then Buyer may either accept delivery of natural gas at the price offered by Seller through a prompt verbal notice confirmed in writing or discontinue receiving gas for the next billing period. In no event will the cost of natural gas as determined by this paragraph, exceed the cost as determined under the Base Rate specified in this Service Agreement.

8. GENERAL TERMS AND CONDITIONS

The General Terms and Conditions to Industrial Service Agreements dated January 1, 1985, attached hereto and duly executed by both parties, are hereby incorporated in and made a part of this Service Agreement. Should there be any conflict between any portion of the General Terms and Conditions to Industrial Service Agreements and this Service Agreement, the parties agree that the Service Agreement shall prevail. The General Terms and Conditions to Industrial Service Agreements may be modified by mutual agreement of Buyer and Seller.

9. NOTICES

All correspondence required of Buyer and Seller under this Service Agreement is to be addressed as follows:

To Seller: South Carolina Electric and Gas Company
Contract Administration, Mail Code J-53
Columbia, South Carolina 29218-0764

To Buyer: Crafts-Farrow State Hospital
7901 Farrow Road
Columbia, South Carolina 29203

IN WITNESS WHEREOF, this Service Agreement has been executed on the date first above written by the parties hereto by their officers or other representatives.

CRAFTS-FARROW STATE HOSPITAL

Buyer

By R. Buck Falloway

Director, Administrative Support Services

Title

Witness Just Grandoe

Date

FEB. 19, 1997

S. C. ELECTRIC AND GAS COMPANY

Seller

By John Lissam

VICE PRESIDENT-GAS OPERATIONS

Title

Witness Vandra Rhodes

Date

3/3/97

INTER

SDB
2/21/97

EXHIBIT A

SOUTH CAROLINA ELECTRIC AND GAS COMPANY

GAS COST CALCULATION

APPLICABILITY

This calculation is applicable to and is a part of the Seller's Service Agreement for interruptible gas deliveries.

COST OF GAS

The cost of gas per dekatherm for the current month shall be determined (to the nearest thousandth of a cent) by the use of the equation below:

$$\text{Cost of Gas} = \frac{(P - D)}{S} \times T$$

Where:

P = Total cost of natural gas (processed or unprocessed) vaporized liquid natural gas, synthetic gas, propane-air mixture, landfill gas, or other source of methane gas or any mixture of these gases entering the Seller's system during the current month in dollars.

D = The cost of gas attributable to all sales made by Seller to Buyers under an interruptible rate or contract where the Buyer has alternative fuel capability and has certified to the Seller the as-fired price of its alternative fuel such that Seller could not supply gas at a price that is competitive and service is provided by Seller under the competitive pricing provisions of the rate or contract.

S = Total gas entering the Seller's system during the current billing month excluding gas sold under D above times the annual sales factor which will be determined by dividing total annual sales recorded in Accounts 480 through 483 plus distribution gas used in electric generation by the total annual gas entering the Seller's system. The annual sales factor shall be computed for the twelve months ending each March and applied beginning with the first billing cycle of the following May each year.

T = Adjustment for revenue related Taxes plus one (1)

NOTES: (1) The amounts calculated in the formula above shall include any applicable credit or debit adjustment reflecting corrections to a prior month's Gas Cost calculation.